



Press Release
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City of Seguin Delivers Breach of Contract Notice to LCRA

City Claims LCRA unfairly discriminating against electric utility customers that did not sign the 25 year power supply agreement

June 28 2012, SEGUIN, TX – The City of Seguin notified the Lower Colorado River Authority (LCRA) today that the City considers LCRA to be in breach of the Wholesale Power Agreement which is the basis for wholesale energy sales from LCRA to the City of Seguin. The Seguin City Council authorized a “Breach of Contract Notice” to the LCRA, citing LCRA’s deliberate discrimination related to access to the competitive wholesale power market for those electric utilities that signed the extension of the Wholesale Power Agreement and those that did not.

“The City of Seguin considers this a breach of a longstanding contract, and also believes it is preventing the City from providing the lowest costs possible to our customers. As such, we felt it was imperative that the City take action on behalf of our customers,” said Seguin City Manager Douglas G. Faseler.

The current contract between the City of Seguin and LCRA, which was signed in 1987 and expires in June 2016, has a “uniform rate clause”, which obligates LCRA to offer the same rates and pricing alternatives to all of its wholesale electric customers throughout the term of the Agreement.

In the 1990’s, an LCRA Board of Directors policy allowed wholesale power customers the option to purchase a portion of their electricity on the deregulated wholesale market. The policy, which gave the customers greater pricing flexibility, was rescinded in 2011. Customers that elected to extend the LCRA contract to 2041 have the ability to access this competitive power supply market for a significant portion of their system’s energy requirements.

“Access to the competitive wholesale power market has provided Seguin customers with significant cost savings over the years, and LCRA has eliminated this market access for the City and other wholesale customers that decided not to extend the LCRA contract to 2041”, according to Faseler. “It is our position that LCRA is knowingly and intentionally discriminating between utilities that extended the LCRA contract and those who choose not to extend the agreement. Currently, one group of LCRA’s customers has access to the competitive wholesale market and one group doesn’t. Based on this disparity we felt it was our obligation to take this action.”

In addition, the notice states that LCRA has exceeded its authority under state statutes.

The City of Seguin has worked with several other utilities including Fayette Electric Cooperative, Central Texas Electric Cooperative, San Bernard Electric Cooperative, Kerrville Public Utility Board, City of Boerne and City of Georgetown to petition LCRA for fair treatment and market access, but have not been successful in this effort. These utilities also provided LCRA with official notice of the contract breach today.

For more information on this story, please contact Assistant City Manager Rick Cortes at (830) 401-2400.